

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6534**  
**BILL NUMBER: SB 191**

**NOTE PREPARED:** Dec 22, 2004  
**BILL AMENDED:**

**SUBJECT:** Preexisting Conditions.

**FIRST AUTHOR:** Sen. Paul  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows an accident and sickness insurer to apply a preexisting condition limitation or exclusion to certain policies of accident and sickness insurance for a period determined by the insurer.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** Under existing law, benefits provided by an individual policy of accident and sickness insurance may not be excluded, limited, or denied for more than 12 months after the effective date of the coverage because of a preexisting condition of the individual. Under the proposal, benefits provided by an individual policy by an insurer, association, or a discretionary group policy of accident and sickness insurance may be excluded, limited, or denied for a period that is set by the insurer because of a preexisting condition. An offer of coverage for which a preexisting condition period exceeds 12 months does not preclude eligibility for an ICHIA policy. The bill applies to policies issued or delivered after June 30, 2005.

The impact to the state, if any, is a potential decrease in demand for ICHIA policies. Any impact is likely to be small. However, insurers under existing law might not be willing to provide coverage to an individual who has a specific preexisting condition. ICHIA might be the only insurer willing to provide health coverage to the individual. Under the proposal, insurers other than ICHIA might be willing to offer this person a health insurance policy that provides for all other health concerns except concerns related to the preexisting condition. In this case, the person might choose to purchase the insurance policy if at a lower premium cost than an ICHIA policy.

*ICHIA Background:* All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are ICHIA members. ICHIA determines net premiums, administrative expenses, and incurred losses for the year. Beginning January 1, 2005, 25% of any net loss is assessed members in proportion to their respective shares of total health insurance premiums, and 75% of the net loss is to be paid by the state. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums.

To be eligible for an ICHIA policy, an Indiana resident must show evidence of being denied insurance coverage under any insurance plan that meets or exceeds the minimum requirements for accident and sickness insurance policies issued in Indiana without material underwriting restriction; an insurer has refused to issue insurance except at a rate exceeding the ICHIA plan rate; or the individual is eligible under the federal Health Insurance Portability and Accountability Act (HIPAA). The individual may not be eligible for Medicaid or Medicare. ICHIA provides health coverage to approximately 8,200 individuals. Members who have paid assessments prior to January 1, 2005, may take a credit against premium taxes, adjusted gross income taxes for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the Association. Members may include in premiums charged for insurance policies amounts sufficient to recoup a sum equal to the amounts paid to the Association.

**Explanation of State Revenues:** See *Explanation of State Expenditures*, above, regarding the ICHIA program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Comprehensive Health Insurance Association.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Bernadette Bartlett, 317-232-9586.